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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

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National Intelligence Council

MEMORANDUM FOR: Director, Office of Scientific and Weapons Research

FROM: Maurice C. Ernst
National Intelligence Officer for Economics

SUBJECT: Coordination of OSWR Paper: USSR: Acquisition of Japanese Technology in Light of USSR's Perceptions of Future Raw Materials Shortages

1. I have read the draft paper and do not believe that it should be published. I have several fundamental problems with the paper:

o The thesis that one of Moscow's main objectives in developing its raw materials and energy is to acquire major leverage against the West in a future period of scarcity is weak. Although no doubt some Soviet statements can be interpreted in this way, what matters is what the Soviets actually do. All of their actions in developing raw material sources, both at home and abroad, are consistent with the view that Moscow's dominant objective is to meet its own needs. Although the OSWR paper gives lipservice to this view on page 4, it then proceeds to ignore it.

o The OSWR paper puts great stress on Japan's vulnerability to interruptions in supplies of raw materials and energy. Japan has given a high priority to developing stable sources of energy, but its dependence on imported raw materials has become more of an asset than a liability because Tokyo can buy from the cheapest source. Tokyo was interested in Siberian raw materials. Several projects were started in the early 1970s and others were seriously discussed, but since then interest has waned. Certainly the Japanese do not feel under pressure because they must import most raw materials.

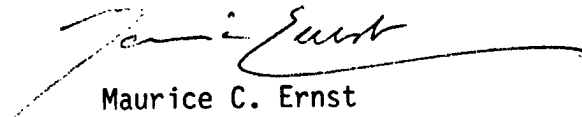
o All the analysis I have read of Soviet-Japanese relations suggests that Moscow badly mishandled its economic negotiations with Tokyo. Japan had a great deal to offer the Soviets in the way of markets, technology and, to a lesser extent, capital. But Moscow missed the boat by being inflexible on the Kurile Islands issue and

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because of sheer bureaucratic foot-dragging. None of these aspects of the Soviet-Japanese relationship are mentioned in the paper.

2. In sum, the draft paper is contrary to all published CIA assessments on related topics, confuses propaganda with policy, and in my view does not make a serious case to support its conclusions.



Maurice C. Ernst

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